

Exhibit A

License Number _____

Draft

Effective _____

Licensing Agreement for Cotton

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Licensing Agreement for Cotton

As a condition of licensing under the United States Warehouse Act (the Act), the warehouse operator agrees to the conditions set forth in this agreement and the regulations found at 7 CFR 735:

I. Definitions

Current assets. Assets, including cash, that are reasonably expected to be realized in cash or sold or consumed during the normal operating cycle of the business or within one year if the operating cycle is shorter than one year.

Current liabilities. Those financial obligations which are expected to be satisfied during the normal operating cycle of the business or within one year if the operating cycle is shorter than one year.

Licensed sampler, classifier and weigher. A person licensed under the Act to sample, classify and/or weigh and certificate the grade or other class and weight of cotton stored at a cotton warehouse licensed under the Act.

Net Worth. When liabilities are subtracted from allowable assets, it is the balance amount. In determining allowable assets, credit may be given for appraisal of real property less improvements and for the appraisal of insurable property such as buildings, machinery, equipment, and merchandise inventory only to the extent that such property is protected by insurance against loss or damage by fire, lightning, and other risk. Such insurance must be in the form of lawful insurance policies issued by insurance companies authorized to do such business and subject to service of process in the State in which the

warehouse is located. The Farm Service Agency will determine what assets are allowable and under what conditions appraisals may be used.

II Financials

1. Financial Requirements

1. The warehouse operator agrees to have and maintain:
 1. total net worth of at least the amount obtained by multiplying \$10.00 by the maximum number of bales that the warehouse accommodates when stored in the manner customary to the warehouse as determined by the Farm Service Agency; however, no person may be licensed or remain licensed as a warehouse operator unless that person has allowable net worth of at least \$25,000.00 (Any deficiency in net worth above the \$25,000.00 minimum may be supplied by an increase in the amount of the financial assurance).
The maximum total allowable net worth required need not exceed \$250,000.00.
 2. total allowable current assets equal to or exceeding total current liabilities or evidence acceptable to the Farm Service Agency that funds will be and remain available to meet current obligations.
2. If a warehouse operator is licensed or is applying for licenses to operate two or more warehouses, the maximum capacity of all licensed warehouses, as determined by the Farm Service Agency, will be the capacity considered in determining whether the warehouse operator meets the net worth requirements.

2. Financial Reporting

1. The warehouse operator agrees to provide annually, within 90 days of the fiscal year end, or more frequently if required, to the Farm Service Agency, financial statements from the warehouse operators records prepared according to generally accepted accounting principles. The Farm Service Agency may grant one 30 day extension to provide a financial statement.
2. These financial statements must include but not be limited to:
 - a. balance sheet,
 - b. statement of income (profit and loss),
 - c. statement of retained earnings, and
 - d. statement of cash flows.
3. An authorized representative for the warehouse operator must certify under penalty of perjury that the statements, as prepared, accurately reflect the financial condition of the warehouse operator as of the date designated and fairly represent the results of operations for the period designated.
4. The warehouse operator must have the financial statements required audited or reviewed by a certified public accountant or an independent public accountant.

Audits and reviews by independent certified public accountants and independent public accountants must be made in accordance with standards established by the American Institute of Certified Public Accountants. The accountant's certification, assurances, opinion, comments, and notes on this statement, must be furnished along with the financial statements. The Farm Service Agency may also require an on-site examination and an audit by an

authorized officer or agent of the United States Department of Agriculture and request other pertinent information.

3. Accepting Other Financial Statements

1. Financial statements of a parent company which separately identify the financial position of the warehouse operator as a wholly owned subsidiary and which meet the basic requirements of financial statements, may be accepted by the Farm Service Agency in lieu of the warehouse operator meeting such requirements.
2. Guaranty agreements from a parent company submitted on behalf of a wholly owned subsidiary may be accepted by the Farm Service Agency as meeting the basic requirements of financial statements if the parent company submits a financial statement which meets the financial requirements and financial reporting requirements.

4. Special Cases: Assets and Liabilities

Subject to such terms and conditions as the Farm Service Agency may prescribe and for the purposes of determining allowable assets and liabilities, appraisals of the value of fixed assets in excess of the book value claimed in the financial statement submitted by a warehouse operator to conform with the requirements may be allowed if

1. prepared by independent appraisers acceptable to the Farm Service Agency and
2. the assets are fully insured against casualty loss.

5. Financial Special Conditions - Public Debt Obligations

The warehouse operator agrees that if they file a bond in the form of either a deposit of public debt obligations of the United States or other obligations which are unconditionally guaranteed as to both interest and principal by the United States:

1. The obligation deposited will **NOT** be considered a part of the warehouse operator's asset.
2. A deficiency in total allowable net worth as computed may be offset by the licensed warehouse operator furnishing acceptable financial assurance for the difference;
3. The deposit may be replaced or continued in the required amount from year to year; and
4. The deposit will not be released until one year after cancellation or revocation of the license that it supports or until satisfaction of any claim against the deposit, whichever is later.

III. Financial Assurance

1. Financial Assurance Requirements **B** Computation

The warehouse operator agrees:

1. To furnish financial assurance computed at the rate of ten dollars (\$10.00) per bale for the maximum number of bales that the warehouse accommodates when stored in the manner customary to the warehouse as determined by the Farm Service, but not less than twenty-five thousand dollars (\$25,000.00) nor more than two hundred fifty thousand dollars (\$250,000.00).
2. When applying for licenses to operate two or more warehouses in the same State, or multiple states, and at the warehouse operator's election, they may

provide financial assurance meeting the requirements of the Act and the regulations to cover all these warehouses within the multiple states and the maximum of two hundred fifty thousand dollars (\$250,000.00) of financial assurance will apply for each State covered.

3. In case of a deficiency in net worth above the twenty-five thousand dollars (\$25,000.00) minimum required, to add to the amount of financial assurance determined in accordance with paragraph (1) of this section an amount equal to that deficiency. If a letter of credit is used for the amount of the deficiency, it must be issued for a period of not less than two years to coincide with the period of any deposit of obligations. Any letter of credit must be clean, irrevocable, issued by a commercial bank payable to the Farm Service Agency by sight draft and insured as a deposit by the Federal Deposit Insurance Corporation. The deposit will not be considered an asset of the company.
4. If the Farm Service Agency finds that conditions exist which warrant requiring additional financial assurance, to add to the amount of financial assurance a further amount to meet such conditions.

2. Financial Assurance - Acceptable Forms

The warehouse operator may offer as financial assurance any of the following:

1. A warehouse operators bond, or
2. In the form of a deposit with the Farm Service Agency, United States bonds, United States Treasury notes, or other public debt obligations of the United States or obligations that are unconditionally guaranteed as to both interest and principal by the United States, or

3. In the form of a letter of credit issued to the Agency for a period of not less than two years to coincide with the period of any deposit of obligations, or
4. In the form of a certificate of participation in and coverage by an indemnity or insurance fund as approved by the Farm Service Agency, established and maintained by a State, backed by the full faith and credit of the applicable State, and which guarantees depositors of the licensed warehouse full indemnification for the breach of any obligation of the licensed warehouse operator under the terms of the Act and regulations, or
5. Other forms of financial assurance as may be prescribed in the applicable licensing agreement and related addenda deemed acceptable by the Farm Service Agency.

IV Duties of Warehouse Operator

1. General - The warehouse operator agrees to:
 1. At all times exercise such care in regard to cotton in custody as a reasonably careful owner would exercise under the same circumstances and conditions and not handle or store it in a manner that would damage or degrade it.
 2. To not differentiate among depositors regarding use of and access to services, except that available storage space may be allocated.
 3. If handling non-licensed cotton, to keep it separate in storage from the licensed cotton.
 4. Upon acceptance of baled cotton for storage, immediately attach [if not already present] an identification tag of a quality approved by Farm Service Agency.

These tags will contain a number, be attached in an orderly manner and clearly distinguishable from one another.

5. Not accept for storage any bale of cotton that is excessively wet. Fire damaged cotton is not to be stored in contact with cotton that has not been so damaged.
6. Keep the warehouse reasonably clean at all times and free of loose cotton, except in containers separate and apart from other cotton and provide a safe environment in and around the warehouse and provide all necessary assistance in the execution of inspections and examinations by representatives of the Farm Service Agency.
7. Unless prevented from doing so by force majeure, to deliver stored cotton without unnecessary delay. A warehouse operator will be considered to have delivered cotton without unnecessary delay, if for the week in question, the warehouse operator has delivered or staged for scheduled delivery at least 4.5 percent of either their licensed storage capacity or Commodity Credit Corporation-approved storage capacity or other storage capacity as determined by the Farm Service Agency to be in effect during the relevant week of shipment.
8. To resolve any claim for noncompliance with the cotton shipping standard through established industry, professional, or mutually agreed upon arbitration procedures. The arbitration procedures will be nondiscriminatory and provide each person equal access and protection relating to the cotton shipping standard.

9. License all facilities controlled by them at a specific location, unless those facilities are specifically exempted by the Farm Service Agency.

2. Insurance

1. Requirements: The warehouse operator agrees to:
 1. secure, in their own name, insurance on stored cotton against loss or damage by fire, lightning, and other risk under forms of policies which automatically attach for the full replacement value of stored cotton, as soon as such cotton is placed in their legal custody, and continue such insurance in effect so long as the cotton remains in their legal custody. The warehouse operator also agrees to keep a general insurance account showing the policy number, issuing company, amount binding, and expiration dates of all insurance policies and in each instance show the property covered by such policies. This insurance will be lawful policies issued by one or more insurance companies. The warehouse operator must submit such reports to underwriters as may be required under the terms of such policies, and submit copies of such reports to the Farm Service Agency as required.
 2. show, in the tariff to be posted at all delivery points, the conditions under which the cotton will be insured against loss or damage by fire, lightning, and other risk.
 3. require that the warehouse operator's insurance company give 30 days advance notice to the Farm Service Agency of intent to cancel the stock (inventory) coverage.

3. Records to be kept in a Safe Place

The warehouse operator agrees to:

1. Provide a fireproof safe, a fireproof vault, or a fireproof compartment in which to keep, when not in use, all records, books, and papers pertaining to the licensed warehouse, including a current warehouse receipt book, copies of warehouse receipts issued, and canceled warehouse receipts or microfilm copies of canceled receipts, except that, with the written consent of the Farm Service Agency, upon a showing by the warehouse operator that it is not practicable to provide such fireproof safe, vault, or compartment, may keep such records, books, and papers in some other place of safety, approved by the Farm Service Agency.
2. Retain each canceled receipt for a period of six years after December 31 of the year in which the warehouse receipt is canceled and for such longer period as may be necessary for the purposes of any litigation which the warehouse operator knows to be pending, or as may be required by the Farm Service Agency in particular cases to carry out the purposes of the Act.
3. Arrange canceled warehouse receipts in numerical order and otherwise in such manner as may be directed, for purposes of audit, by authorized officers or agents of the United States Department of Agriculture and the Farm Service Agency.

4. Scales and Weighing

The warehouse operator agrees to:

1. Be equipped with suitable scales in good order, and so arranged that all cotton can be weighed in and out, if required, of the warehouse. The scales in any warehouse must be subject to examination by authorized officers or agents of the United States Department of Agriculture and to disapproval by the Farm Service Agency. If disapproved, any weighing apparatus must not thereafter be used in ascertaining the weight of cotton for the purposes of this Act, until such disapproval is withdrawn.
2. Weigh, by a weigher licensed under the authority of the United States Warehouse Act, the cotton that comes into the warehouse unless warehouse weights are established at the gin. These weights must be certified by the licensed weigher.
3. Assume full responsibility for the weights established at the gin for warehouse receipt purposes. In order to use these weights, the licensed warehouse must maintain control of the scales used to weigh cotton. They must be inspected and certified as accurate by a State agency or a qualified scale company and a copy of the inspection report must be maintained at the warehouse office for the warehouse examiner's review. The scale must be checked by the warehouse operator for accuracy on a routine basis. Point of origin weights may be used for single bale or lot stored cotton by agreement with the depositor. Any point of origin weights shown on a warehouse receipt will be the official warehouse bale or lot weight. Lot cotton tendered for storage on which a multiple bale warehouse receipt is issued must be maintained so as to preserve its individual and collective identity during storage and shipment, provided that if such lot is broken at the warehouse, for the issuance of new receipts, each bale will be

weighed at the warehouse by a licensed weigher before single bale warehouse receipts are issued.

5. Warehouse Charges

The warehouse operator:

1. Must not make any unreasonable or exorbitant charge for services rendered.
2. Must, before a license to conduct a warehouse is granted under the Act, file, with the Farm Service Agency, a copy of their rules and a schedule of charges to be assessed depositors.
3. Must, at or before the beginning of each season, file an amended schedule of charges with Farm Service Agency along with the rules, if any, and of our schedule of charges for the ensuing season. The cotton season will commence not later than September 1 of each year, as the operator of the warehouse will select, and will notify Farm Service Agency in writing not less than 5 days preceding the date selected.
4. Must file an amended schedule, if making changes other than the beginning of the season, showing the contemplated changes will be filed with Farm Service Agency. No increase in the storage rate shown in such an amended schedule will apply to cotton in storage at the time the changes become effective.
5. May demand payment of all accrued charges at the close of each cotton season.

If, upon demand, the owner of the cotton refuses to pay such charges at the end of a season, action may be taken to enforce collection of its charges as is permitted by the laws of the State in which the warehouse is located.

6. Business Hours

The warehouse operator agrees to:

1. Be open for the purpose of receiving cotton for storage and delivering cotton out of storage and for settlement purposes every normal business day for a period of not less than six hours between the hours of 8 a.m. and 6 p.m. The warehouse operator must post their business hours at the public entrance to the office and to their licensed warehouse.
2. In case the warehouse is not to be kept open as required, state, in the posted notice, the period during which the warehouse is to be closed and the name, the address, and telephone number of the person who will be authorized to receive and deliver cotton stored in the warehouse.

7. System of Accounts

The warehouse operator agrees to:

1. Have and maintain a system of accounts approved for the purpose by the Farm Service Agency. These records must include:
 1. bale tag numbers,
 2. distinguishing mark or identifier,
 3. weight,
 4. class when required and/or ascertained,
 5. location in the warehouse,
 6. date received for storage,
 7. date delivered out of storage, and
 8. receipts issued and canceled.

2. Maintain a detailed set of records of money received and disbursed and, if applicable, all insurance policies taken out and canceled on request of each depositor. These records will be maintained accurately and concisely as activity occurs. The warehouse operator must retain these records for a period of six years after December 31 of the year in which they were created, and for such longer period as may be necessary for the purposes of any litigation which the warehouse operator knows to be pending, or as may be required by the Farm Service Agency in particular cases to carry out the purposes of the Act.

8. Excess Storage and Transferring Cotton

The warehouse operator agrees that:

1. If at any time cotton stored in the warehouse exceeds the capacity for which the warehouse is licensed, the warehouse operator will immediately notify the Farm Service Agency of the fact and the location of excess storage.
2. If they desire to transfer, at their own expense, depositor cotton to another warehouse (receiving), the warehouse operator may do so.
 1. the transferring (shipping) warehouse operator's accepted rules or schedule of charges must contain notice that the warehouse operator may transfer cotton according to conditions prescribed by the Farm Service Agency.
 2. the warehouse operator must request permission in writing to the Farm Service Agency.
3. for purposes of transferring cotton, a receiving warehouse means a warehouse operated by a warehouse operator who holds an un-suspended, un-revoked cotton license under the Act, or a warehouse operated by a warehouse operator

who holds an effective warehouse license for the public storage of cotton issued by a State that has financial, bonding and examination requirements for the benefit of all depositors or, in the case of warehouses operating in a State without licensing authorities, warehouses with an approved Cotton Storage Agreement with the Commodity Credit Corporation.

4. the shipping warehouse operator must transfer all identity-preserved cotton in lots and must list on a Bill of Lading all forwarded bales by receipt number and weight. The receiving warehouse operator will promptly issue a non-negotiable warehouse receipt for each lot of cotton stored and will attach a copy of the corresponding bill of lading to each receipt and return the receipt promptly to the shipping warehouse operator. The receiving warehouse operator will store each such lot intact, and will attach a header card to the lot showing the receipt number, number of bales, and a copy of the Bill of Lading with the individual tag numbers, marks, or identifiers to the stored lot. Such non-negotiable warehouse receipts issued for forwarded cotton will have printed or stamped diagonally in large bold outline letters across the face of the receipt the words: ``NOT NEGOTIABLE."
5. the shipping warehouse operator's financial assurance will be increased to consider the addition of the transferred cotton to the licensed capacity of the warehouse with the net asset requirements based on the total of the licensed capacity and the forwarded cotton. The amount of financial assurance need not exceed \$250,000.00 unless necessary to cover a deficiency in net worth. The receiving warehouse operator must not incur storage obligations that exceed the licensed or approved capacity of the receiving warehouse;

6. the shipping warehouse operator continues to retain storage obligations to the owners of all cotton deposited in the warehouse for storage whether forwarded or retained and is, except as otherwise agreed upon under paragraph (g) of this section.
7. the owner of cotton deposited for storage at the warehouse must make settlement and take delivery at the warehouse where the cotton was first deposited for storage, unless the owner of the cotton, with the consent of both the shipping warehouse operator and the receiving warehouse operator, elects to take delivery at the warehouse to which cotton was transferred under this section.
8. nothing in this section diminishes the right of the owner of the cotton to receive or the obligation of the warehouse operator of a licensed warehouse from which the product is transferred, to deliver to the owner the same cotton, identity preserved, called for by the warehouse receipt or other evidence of storage;
9. recording and retention of non-negotiable warehouse receipts received as a result of forwarding cotton under this section will be subject to the requirements for warehouse receipts specified elsewhere in these regulations; and
10. if it is the shipping warehouse operator's obligation by terms of the warehouse receipt or otherwise to insure the cotton subject to the transfer, they must keep such cotton insured in their own name or transfer the cotton only to a warehouse where the cotton is fully insured

11. a receiving warehouse operator must not transfer or offset to another warehouse, in any manner, their obligation to the shipping warehouse operator.

1. Reports Required

The warehouse operator agrees to:

1. When requested by the Farm Service Agency, make such reports, on forms prescribed and furnished for the purpose by the Farm Service Agency, concerning the condition, contents, operation, and business of the warehouse.
1. Keep on file, as a part of the records of the warehouse, for a period of three years after December 31 of the year in which submitted, an exact copy of each report submitted.

10. Inspections, Examinations of Warehouse

The warehouse operator agrees to permit any officer or agent of the United States Department of Agriculture, authorized by the Farm Service Agency, to enter and inspect or examine on any business day during the usual hours of business, any warehouse for which they hold a license, the office, the books, records, papers, and accounts relating, and the contents thereof and will furnish that officer or agent the assistance necessary to enable making any inspection or examination.

K. Arrangement of Stored Cotton

The warehouse operator agrees to:

1. Store each bale of cotton for which a receipt under the Act has been issued in a manner acceptable to Farm Service Agency.
2. For cotton tendered for storage, by any one depositor, of the same grade and staple in such quantity that efficiency of operation dictates that such cotton

should be stored in a lot or lots without regard to visibility of all tags on all bales within any lot, may store such cotton in lots if each lot originally contained two or more bales. If a negotiable multiple bale receipt is issued each bale entering into a lot must bear an individual bale identification, and must be stored so that the number of bales within the lot may be accurately determined.

3. For lot cotton, an individual lot identification tag showing the lot number and the number of bales in the lot to each lot of cotton will be affixed. An office record showing the bale or tag number, mark, or identifier of each bale in the lot and the location of the lot in the warehouse will be maintained. Each lot will be so arranged as to be readily distinguishable from each and every other lot. When requested by a proper representative of Farm Service Agency engaged in making an examination of the warehouse, stacks or lots of cotton, as the examiner deems necessary to a proper examination, will be torn or broken down at the warehouse operator's expense.
4. Block piling of cotton for which single bale receipts have been or are to be issued is permitted, with the written permission of DACO, provided the warehouse operator is willing to tear or break down the blocks at the request of a representative of the Farm Service Agency when making an examination of the warehouse.
5. Notify the insurance underwriter of block piling and they must have consented to insuring it.

6. To arrange the cotton so as not to obstruct free access and the proper operation of the sprinkler or other fire protection equipment.

12. Removal of Cotton from Storage

Except as may be permitted by law or the regulations in this part, the warehouse operator must not remove any cotton, from storage, from the licensed warehouse or a part thereof designated in the receipt for such cotton, if by such removal the insurance thereon will be impaired, without first obtaining the consent in writing of the holder of the receipt, and indorsing on such receipt the fact of such removal. Under no other circumstances, unless it becomes absolutely necessary to protect the interests of holders of receipts, will cotton be removed from the warehouse, and immediately upon any such removal the warehouse operator will notify the Farm Service Agency of such removal and the necessity therefor.

M. Drawing of Samples

The warehouse operator agrees:

1. that persons will be licensed to draw samples from any cotton stored or to be stored in the licensed warehouse if the owner of such cotton or any person having a legal right to have such cotton sampled requests that samples be drawn.
2. when directed by Farm Service Agency, such requests will be in writing.
3. samplers will perform their duties under its supervision and the samples will be drawn in accordance with Agricultural Marketing Service or other procedures recognized by Farm Service Agency.

4. each sample will be appropriately marked to show the tag number, mark, or identifier of the bale of cotton from which it was drawn.

14. Warehouse Receipts

1. The warehouse operator when choosing the option to issue Electronic Warehouse Receipts (EWRs) instead of paper warehouse receipts for the agricultural product(s) stored in their warehouse agrees to:
 1. Only issue EWRs through a provider whom the Farm Service Agency has approved.
 2. Receive written approval from the Farm Service Agency at least 30 calendar days before changing providers. Upon approval a warehouse operator may request their current provider to transfer their EWR data from its Central Filing System (CFS) to the CFS of the approved provider whom they select. Warehouse operators must notify all holders of EWRs by inclusion in the CFS at least 30 calendar days before changing providers, unless otherwise required or allowed by the Agency. Warehouse operators may only change providers once a year.
 3. Cancel EWRs only when they are the holder of the receipt(s).
 4. Correct information on the EWR only with written notification to the provider.
 5. Before issuing EWRs, request and receive from the Farm Service Agency a range of consecutive warehouse receipt numbers which the warehouse operator will use consecutively for issuing their EWRs.
 6. Issue warehouse receipts initially as EWRs.

7. Inform the Farm Service Agency of the identity of their provider 60 calendar days in advance of issuing EWRs through that provider. The Farm Service Agency may waive or modify this 60-day requirement as set forth under 7 CFR 735.2(b).
2. The warehouse operator will ensure that an issued EWR establishes the same rights and obligations with respect to an agricultural product as a paper warehouse receipt, and possess the following attributes that:
 1. The person identified as the 'holder' of a EWR will be entitled to the same rights and privileges as the holder of a paper warehouse receipt.
 2. Only the current holder of the EWR may transfer the EWR to a new holder.
 3. The identity of the holder must be included as additional information for every EWR.
 4. An EWR will only designate one entity as a holder at any one time.
 5. An EWR will not be issued for a specific identity preserved or a commingled agricultural product lot if another receipt, whether paper or electronic, representing the same specific identity preserved or commingled lot of agricultural product is outstanding. No two warehouse receipts issued by a warehouse operator may have the same receipt number or represent the same agricultural product lot.
 6. An EWR may only be issued to replace a paper receipt if requested by the current holder of the paper warehouse receipt.
 7. Allows a holder the option to authorize any other user of a provider to act on their behalf with respect to their activities with their provider. This

authorization must be in writing, acknowledged, and retained by the provider.

8. Provisions of 7 CFR 735.300(c) will be applicable to lost or destroyed EWRs.
9. Only the current EWR holder may request a paper warehouse receipt in lieu of a EWR with respect to an agricultural product.

5. Paper Warehouse Receipts

1. Issuance: the warehouse operator agrees to:
 1. issue warehouse receipts for any cotton stored in a warehouse at the request of a depositor.
 2. Except when an expiration date authorized by Farm Service Agency is shown on the face of the receipt, every negotiable receipt issued for cotton stored in a licensed warehouse will be effective until surrendered for delivery of the cotton, and every non-negotiable receipt will be effective until surrendered for delivery of the cotton or until all cotton covered by the receipt has been delivered in response to proper delivery orders of the person rightfully entitled to the cotton:
 3. Nothing contained in this section will prohibit the warehouse operator from legally selling the cotton when the accrued storage and other charges equals or exceeds the current market value of the cotton.
 4. every negotiable receipt issued for cotton stored in a licensed warehouse will embody within its written or printed terms a statement that the cotton covered

by such receipt was classified by a licensed classifier or a board of cotton examiners when such cotton is so classified.

5. whenever the grade or other class of the cotton is stated in a receipt issued for cotton stored in a licensed warehouse, such grade or other class will be determined by a licensed classifier or a board of cotton examiners upon the basis of a sample drawn, and will be stated in the receipt.

B. Form

1. Every warehouse receipt, whether negotiable or non-negotiable, issued for cotton stored in a licensed warehouse must, in addition to complying with the requirements of section 11 of the Act, embody within its written or printed terms the following:
 - a. The name of the warehouse operator and the designation, if any, of the warehouse,
 - b. The warehouse operator's license number,
 - c. The Commodity Credit Corporation contract code number, if applicable,
 - d. A statement whether the warehouse operator is incorporated or unincorporated, and if incorporated, under what laws,
 - e. In the event the relationship existing between the warehouse operator and any depositor is not that of a strictly disinterested custodianship, a statement setting forth the actual relationship,
 - f. The tag identifier given to each bale of cotton,

- g. A statement conspicuously placed, whether or not the cotton is insured, and, if insured, to what extent, by the warehouse operator against loss by fire, lightning, or other risk,
 - h. A blank space designated for the grade and/or other classification may be stated,
 - i. The words "Not Negotiable," or "Negotiable," according to the nature of the receipt, clearly and conspicuously printed or stamped thereon.
 - j. A statement indicating that the weight was determined by a weigher licensed under the Act, except that if at the request of the depositor, the weight is not so determined or if the point of origin weight was determined as permitted, the receipt will contain a statement to that effect.
 - k. Licensed receipts issued to cover linters will be clearly and conspicuously marked **ALinters@**
 - l. If the warehouse operator a receipt under the Act omitting any information not required to be stated, for which a blank space is provided in the form of the receipt, a line will be drawn through such space to show that such omission has been made by the warehouse operator.
 - m. A warehouse receipt may contain additional information, provided that this information does not interfere with the information required.
2. If the warehouse operator issues a warehouse receipt omitting the statement of grade on request of the depositor, such receipt will have clearly and conspicuously stamped or written in the space provided for the statement of grade the words "Not graded on request of depositor@

3. If the warehouse operator issues a warehouse receipt under the Act omitting any information not required to be stated, for which a blank space is provided in the form of the receipt, a line will be drawn through such space to show that such omission has been made purposely.

C. Persons Authorized to Sign Warehouse Receipts

The warehouse operator must file with the Farm Service Agency, the name and genuine signature of each person authorized to sign warehouse receipts for the warehouse operator, promptly notify Farm Service Agency of any changes as to persons authorized to sign, file the signatures of such persons, and will be bound by such signatures the same as if the warehouse operator, had personally signed the receipt.

D. Copies of Warehouse Receipts

The warehouse operator agrees that at least one copy of all warehouse receipts must be made and, except skeleton and microfilm copies, have clearly and conspicuously printed or stamped on the face the words **ACopy B Not Negotiable@**

E. Printing of Warehouse Receipts

The warehouse operator agrees to issue only warehouse receipts that:

1. Are in a form prescribed by the Farm Service Agency.
2. Are on distinctive paper or card stock specified by the Farm Service Agency;
3. Printed by a printer with whom the United States has an agreement and bond for such printing; and
4. On paper and/or card stock tinted with ink in the manner prescribed by the agreement.

F. Return of Warehouse Receipts Prior to Delivery

The warehouse operator agrees to:

1. not deliver any cotton for which they have issued a negotiable receipt until the receipt has been returned to the warehouse operator and canceled; and
2. not deliver cotton for which they have issued a non-negotiable receipt until such receipt has been returned, or they have obtained from the holder or agent, a written order and a receipt upon delivery of 90% (ninety percent) of the quantity.

G. Balance Warehouse Receipts

The warehouse operator, upon request of the holder, may issue a warehouse receipt for previously warehouse receipted cotton, the receipt for which has been canceled. The balance warehouse receipt must show the number and issuance date of the original warehouse receipt.

H. Lost or Destroyed Warehouse Receipts

1. The warehouse operator may issue a new warehouse receipt subject to the same terms and conditions, and bearing on its face the number and the date of the original receipt when presented with the case of a lost or destroyed warehouse receipt.
2. Before issuing a replacement warehouse receipt, the warehouse operator must require the holder or other person applying therefor to make and file with the warehouse operator:
 - a. an affidavit showing that the holder is lawfully entitled to the possession of the original warehouse receipt; that the holder has not negotiated or

assigned it; how the original receipt was lost or destroyed; and, if lost, that diligent effort has been made to find the warehouse receipt without success.

- b. a bond in an amount double the value, at the time the bond is given, of the agricultural product represented by the lost or destroyed warehouse receipt.

This bond will be in a form approved for the purpose by the Farm Service Agency, and will be conditioned to indemnify the warehouse operator against any loss sustained by reason of the issuance of this warehouse receipt. The bond will have as surety a surety company which is authorized to do business, and is subject to administration of process in a suit on the bond, in the State in which the warehouse is located, unless a variance is granted by the Farm Service Agency.

3. Auditing Canceled Warehouse Receipts

The warehouse operator agrees to forward canceled receipts for auditing, as requested, to the Farm Service Agency.

VI. Service Licenses

A. The Applicant :

- 1. must make application for license to sample, classify and weigh cotton to the Farm Service Agency on forms furnished by the Farm Service Agency. Each application must:
 - a. signed by the applicant.
 - b. contain or be accompanied by a statement from the warehouse that the applicant is acceptable to such warehouse operator.

- c. if seeking sampling, classification licensing, certification that the applicant can correctly sample, classify cotton in accordance with the Official Standards of the United States.
- d. if seeking weighing licensing, certification that the applicant can correctly weigh cotton.
- e. furnish such additional information as requested by the Farm Service Agency.

B. Examination of Applicant

As a service license applicant, submit to an examination or test to show ability to properly sample, classify and/or weigh cotton, as the case may be, and also make available for inspection copies of the standards of classification or the weighing apparatus as the case may be, used or to be used.

C. Classification Certificates

1. Each class certificate issued under the Act by a licensed classifier must be in a form approved by the Farm Service Agency, and include the following information within its terms:
 - a. The caption "United States Warehouse Act Cotton Class Certificate,@
 - b. Whether it is an original, a duplicate, or other copy, and that it is not negotiable,
 - c. The name and location of the warehouse in which the cotton is or is to be stored,
 - d. The date of the certificate,
 - e. The consecutive number of the certificate,

- f. The location of the cotton at the time of classification,
 - g. The identification of each bale of cotton by the tag number given to the bale in accordance with this agreement or if there is no such tag number by other marks or numbers,
 - h. The grade or other class, except length of staple, of each bale covered by the certificate in accordance with the regulations or this agreement, as far as applicable, and the standard or description in accordance with which the classification is made
 - i. A blank space designated for the purpose in which the length of staple may be stated,
 - j. A statement that the certificate is issued by a licensed classifier under the Act, and
 - k. The signature of the licensed classifier.
2. In addition to the provisions of paragraph 1, the class certificate may include any other matter not inconsistent with the Act or the regulations in this part, provided the approval of the Farm Service Agency is first secured.
3. In lieu of a class certificate in the form prescribed in paragraph 1, Form A memorandums and Form C certificates issued by a board of cotton examiners and class certificates issued by licensed classers under the United States Cotton Standards Act shall be deemed sufficient for the purposes of the Act and the regulations in this part, if the samples on which they are based were approximately six ounces in weight, not less than three ounces of which are to

be drawn from each side of the bale. Each sample must be representative of the bale from which drawn.

D. Weight Certificates

1. Each weight certificate issued under the Act by a licensed weigher must be in a form approved for the purpose by the Farm Service Agency, and include the following information within its terms:
 - a. The caption "United States Warehouse Act, Cotton Weight Certificate,®
 - b. Whether it is an original, a duplicate, or other copy, and that it is not negotiable,
 - c. The name and location of the warehouse in which the cotton is or is to be stored,
 - e. The date of the certificate,
 - f. The consecutive number of the certificate,
 - g. The location of the cotton at the time of weighing,
 - h. The identification of each bale of cotton by the tag number given to the bale in accordance with this agreement or if there is no such tag number by other marks or numbers,
 - i. The gross, or net and tare, weight of the cotton and, if the cotton be excessively wet or otherwise of a condition materially affecting its weight, a statement of such fact to which may be added the weigher's estimate of the number of pounds which should be allowed for such condition
 - j. A statement that the certificate is issued by a weigher licensed under the Act, and

- k. The signature of the licensed weigher.
- 2. In addition to the provisions of paragraph 1, the weight certificate may include any other matter not consistent with the Act or the regulations in this part provided the approval of the Farm Service Agency is first secured.

E. Classification and Weight Certificate

The class and weight of any cotton, ascertained by an classifier and a weigher, may be stated on a certificate meeting the combined requirements of subsections C and D: provided the form of the certificate is approved for the purpose by the Farm Service Agency.

F. Duties of sampler, classifier and weigher

Each sampler, classifier and weigher whose license remains in effect must:

- 1. without discrimination, as soon as practicable, upon reasonable terms, classify or weigh and certificate the class or weight, respectively, of cotton stored or to be stored in the licensed warehouse to which the license applies, if such cotton is offered under such conditions as permit the proper performance of such functions; except that no class or weight certificate need to be issued when the class or weight so determined is entered on a receipt by the licensed classifier or weigher making the determination.
- 2. sample cotton stored or to be stored in a licensed warehouse for which holding a license, in accordance with the standards. No class or weight certificate will be issued under the Act, for cotton not in the custody of a licensed warehouse operator for purposes of storage. Cotton not in the custody of such a warehouse operator for such purpose be sampled by a licensed sampler.

3. keep their license conspicuously posted where all or most of the classifying is done, and each licensed sampler and/or weigher will keep their license conspicuously posted in the warehouse office or in such place as may be designated for the purpose by a representative of the Farm Service Agency
4. from time to time, when requested by the Farm Service Agency, make reports, on forms furnished for the purpose by the Farm Service Agency, bearing upon activities as a licensed sampler, classifier and/or weigher.
5. permit any authorized officer or agent of the United States Department of Agriculture or the Farm Service Agency or their designee to inspect or examine, on any business day during the usual hours of business, their books, papers, records, and accounts relating to the performance of their duties under the Act and, with the consent of the warehouse operator concerned, assist any such officer or agent in the inspection or examination as far as it relates to the performance of the duties of such sampler, classifier or weigher under the Act.
6. keep for a period of one year, in a place accessible to interested parties, a copy of each certificate issued and file the certificate with the warehouse in which the cotton covered by the certificates is stored.
7. no person will in any way represent themselves to be a sampler, classifier, and/or weigher licensed under the Act unless holding an un-suspended and un-revoked license issued under the Act.

VII. Cotton Classification

A. Official Cotton Standards of the United States

The official cotton standards, established and promulgated under the United States Cotton Standards Act of March 4, 1923, within their scope, are hereby adopted as the official cotton standards for the purposes of the Act and the regulations.

B. Access to the Cotton Standards

The warehouse operator and each licensed classifier will keep themselves provided with, or have access to, a set of practical forms of the official cotton standards of the United States, or such parts thereof as the Farm Service Agency may deem necessary for use in the locality in which the licensed warehouse is located.

VIII. Fees

The Farm Service Agency is authorized, by the enabling legislation, to assess and collect fees to cover the administration of the program. A schedule showing the current fees or any annual fee changes will be provided as an addendum to the licensing agreement.

The fees for cotton warehouses are detailed in the attached Addendum No. 1.

This agreement forms a part of the license, number _____ for
License Number

Warehouse Operator **at**

Licensed Location **and is effective** _____
Date

Warehouse Operator

By

Date

For the Farm Service Agency

ADDENDUM No. 1: FEES

Fee Table
Schedule of fees charged for services rendered.

United States Warehouse Act (effective October 1, 2001)
Fee Table

Cotton	License Action Fee	Service License Fee	Inspection Fee	Annual User Fees		
				Capacities - Range By Functional Unit	CCC Agreement	W/o CCC Agreement
	\$80	\$35	\$80/ 1,000 Bales or Fractional Part	1 to 20,000 Bales	\$560	\$1,115
				20,001 to 40,000 Bales	730	1,460
				40,001 to 60,000 Bales	895	1,790
				60,001 to 80,000 Bales	1,125	2,245
				80,001 to 100,000 Bales	1,400	2,800
				100,000 to 120,000 Bales	1,680	3,355
				120,001 to 140,000 Bales	1,955	3,915
				140,000 to 160,000 Bales	2,240	4,475
				160,000 + Bales	*2,240	**4,475
					*Plus \$60 per 5,000 bales capacity above 160,000 bales or fraction	**plus \$110 per 5,000 bales capacity above 160,000 bales or fraction